
UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon. Cathy L. Waldor
 :
 v. : Mag. No. 14-7238 (CLW)
 :
 MICHAEL LIEBERMAN : **CRIMINAL COMPLAINT**

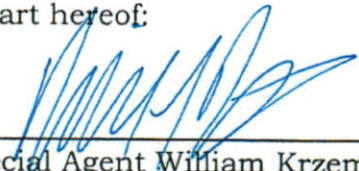
I, William Krzemien, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Federal Bureau of Investigation, and that this complaint is based on the following facts:

SEE ATTACHMENT B

Continued on the attached page and made a part hereof:



Special Agent William Krzemien
Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,
November 14, 2014 in Essex County, New Jersey

HONORABLE CATHY L. WALDOR
UNITED STATES MAGISTRATE JUDGE



Signature of Judicial Officer

ATTACHMENT A

On or about the dates set forth below, in the District of New Jersey and elsewhere, defendant

MICHAEL LIEBERMAN

knowingly and intentionally devised and intended to devise a scheme and artifice to defraud and to obtain money and property from Company A by means of materially false and fraudulent pretenses, representations, and promises, and, for the purpose of executing and attempting to execute such scheme and artifice to defraud, did knowingly and intentionally transmit and cause to be transmitted by means of wire communications in interstate and foreign commerce, certain writings, signs, signals, pictures, and sounds, specifically, those referenced below, each constituting a separate count of this Complaint.

Count	Approximate Date	Description
1	May 2, 2014	Wire of approximately \$29,997 from Company A in New Jersey to the 7208 Account controlled by defendant LIEBERMAN outside of New Jersey
2	May 19, 2004	Wire of approximately \$124,254 from Company A in New Jersey to the 7208 Account controlled by defendant LIEBERMAN outside of New Jersey

In violation of Title 18, United States Code, Section 1343 and Title 18, United States Code, Section 2.

ATTACHMENT B

I, William Krzemien, am a Special Agent with the Federal Bureau of Investigation. I have conducted an investigation and discussed this matter with other law enforcement officers who have participated in this investigation, and have knowledge of the following facts. Because this affidavit is being submitted for the limited purpose of establishing probable cause, I have not included each and every fact known to me concerning this investigation. I have set forth only the facts which I believe are necessary to establish probable cause. Unless specifically indicated, all dates described in this affidavit are approximate, and all conversations and statements described in this affidavit are related in substance and in part.

Overview

1. At all times relevant to this Complaint:
 - a. Company A was a financial institution as that term is defined in Title 18, United States Code, Section 20. Company A was a United States-based subsidiary of an international investment bank with operations across the world.
 - b. Among other things, Company A engaged in cross-border securities transactions, and settled those transactions. Company A also served as a settlement agent for cross-border securities transactions entered into by broker-dealer clients of Company A.
 - c. Defendant MICHAEL LIEBERMAN resided in New Jersey, and was employed by Company A in New Jersey. Defendant LIEBERMAN worked in Company A's International Settlements Group (the "ISG").
 - d. The ISG was located in or around Iselin, New Jersey, and was part of Company A's "back office" operations. Among other things, the ISG was responsible for wiring funds to settle various securities transactions.
 - e. Wire transfers from the ISG originated in New Jersey.
2. From in or around April 2012 through in or around May 2014, defendant LIEBERMAN devised a scheme to defraud Company A out of more than \$1.5 million by using his position in the ISG to fraudulently initiate more than 40 separate wire transfers of Company A's money (the "Fraudulent

Wire Transfers"). Defendant LIEBERMAN directed the Fraudulent Wire Transfers to bank accounts that defendant LIEBERMAN either owned or controlled. Defendant LIEBERMAN then spent Company A's money for his own purposes, including:

- a. Hundreds of thousands of dollars to purchase a home in North Carolina;
 - b. Tens of thousands of dollars in personal credit card payments;
 - c. Hundreds of thousands of dollars on other personal expenses, including hotels, airplane tickets, home furnishings, and restaurant tabs, among others.
3. To execute his scheme to defraud, defendant LIEBERMAN used his knowledge of and access to Company A's systems – and his access to Company A's funds – granted to him by virtue of his position in the ISG.

Company A's Systems & Controls

4. Company A used a depository settlement system known as "Euroclear," which served to settle and clear securities transactions for Company A as well as for its clients. Company A's payments made through Euroclear were exclusively between financial institutions. No authorized payments were made by Company A to retail bank or brokerage accounts. Indeed, Company A has only institutional clients, and does not transact with retail bank or brokerage accounts.
5. Company A maintained numerous accounts within Euroclear, including an account used to fund certain settlements ("Account 1"). The funds in Account 1 belonged to Company A, and not to any of Company A's clients.
6. To access Euroclear, Company A used a software program known as "Euclid." Euclid permitted members of the ISG to access Euroclear and engage in wire transfers using Euroclear. Data entered into Euclid was stored in a database owned by Company A.
7. For a wire transfer to be made through Euroclear, Company A's policies required that each wire be initiated by one employee and approved by another employee. Company A's policies further mandated that wire initiations had to proceed in several steps.

8. An ISG employee first had to enter a unique employee code and password to log on to their specific computer terminal. Then, to access Euclid itself, the ISG employee had to enter another unique code, a unique PIN number, and a unique password.
9. Once an ISG employee accessed Euclid, additional steps were necessary to initiate a wire transfer through Euroclear. Specifically, computer workstations within the ISG incorporated smartcard readers, and each smartcard was issued to a specific ISG employee. Moreover, each smartcard had a PIN number associated with the smartcard. To initiate a wire transfer, the ISG employee had to possess, and use, their employee-specific smartcard and enter the PIN number associated with that smartcard.
10. Only after completing all of the steps listed above could an ISG employee initiate a wire transfer. Even then, though, the wire could not be completed unless another ISG employee, different from the initiator, approved the release of the funds to be wired.
11. Company A's systems logged and tracked the employee, via the unique identifying information listed above, who initiated each wire transfer through Euclid.

Defendant LIEBERMAN's Scheme To Defraud

12. The investigation has revealed that defendant LIEBERMAN initiated all of the Fraudulent Wire Transfers using his unique identifying information.
13. All of the funds transferred by defendant LIEBERMAN as part of the Fraudulent Wire Transfers belonged to Company A. None of the Fraudulent Wire Transfers were authorized by Company A.¹
14. Defendant LIEBERMAN directed each of the Fraudulent Wire Transfers to retail bank accounts either owned or controlled by defendant LIEBERMAN. The vast majority of the Fraudulent Wire Transfers were sent to an account held at Financial Institution 1 whose account number ended in 7208 (the "7208 Account").

¹ The Fraudulent Wire Transfers were approved by other ISG employees. The investigation is ongoing to determine how these approvals were obtained; nonetheless, the investigation has determined that the funds transferred as part of the Fraudulent Wire Transfers were all sent to bank accounts either owned or controlled by defendant LIEBERMAN, and not by other ISG employees.

15. As just two examples:
- a. On or about May 2, 2014, defendant LIEBERMAN initiated a wire transfer, using his unique credentials, from Account 1, and caused approximately \$29,997 to be sent from Account 1 in New Jersey to the 7208 Account outside of New Jersey.
 - b. On or about May 19, 2014, defendant LIEBERMAN initiated a wire transfer, using his unique credentials, from Account 1, and caused approximately \$124,254 to be sent from Account 1 in New Jersey to the 7208 Account outside of New Jersey.
16. The investigation has revealed that defendant LIEBERMAN was the authorized signatory on the 7208 Account. The investigation has also revealed that after causing the Fraudulent Wire Transfers, defendant LIEBERMAN attempted to conceal the proceeds of his fraud by immediately transferring nearly all of Company A's money to several other bank accounts owned or controlled by defendant LIEBERMAN. Defendant LIEBERMAN then spent this money on his own personal uses, including more than \$400,000 to purchase a house in North Carolina in which defendant LIEBERMAN currently resides.

Defendant LIEBERMAN Attempts to Conceal His Scheme to Defraud

17. The investigation has also revealed that defendant LIEBERMAN took various steps to conceal his fraudulent activities in an effort to avoid detection by Company A or by law enforcement authorities.
18. For example, Company A's internal bookkeeping entries were managed through a system known as "Phase 3." When securities transactions settled through Euroclear, ISG employees were required to create corresponding bookkeeping entries in Phase 3, which served to keep track of these transactions in Company A's books and records.
19. To make an entry into the Phase 3 system, a Company A employee had to log in using their unique employee code and password. The Phase 3 entries logged and tracked the Company A employee who created each Phase 3 entry.
20. The investigation has revealed that for many of the Fraudulent Wire Transfers, defendant LIEBERMAN used his unique employee code and password to create bogus entries in the Phase 3 system, including by creating bogus subaccounts within Company A's Phase 3 system.

21. Lieberman also attempted to conceal his fraudulent activity by creating fictitious offsetting transactions for certain Fraudulent Wire Transfers. Certain Fraudulent Wire Transfers consisted of defendant LIEBERMAN wiring, using Euclid, a sum of money that purported to be for the settlement of foreign exchange transactions – transactions that, in truth and in fact, did not exist.
22. For each of these transfers, Company A required an offsetting entry in Phase 3. This offsetting entry could not be created directly by defendant LIEBERMAN because it was the responsibility of another department within Company A – a unit known as the Trade Support Group (“TSG”) – to enter evidence of foreign exchange transactions.
23. Therefore, defendant LIEBERMAN, in numerous instances, supplied false and fraudulent spreadsheets to the TSG. Each such spreadsheet included several purported foreign exchange trades that defendant LIEBERMAN falsely claimed had occurred.
24. The TSG then entered the information provided by defendant LIEBERMAN into Phase 3. Based on this information, Phase 3 reflected fictitious “profits” for Company A on these trades. These phantom profits would be exactly offset by the Fraudulent Wire Transfers that defendant LIEBERMAN had initiated using Euclid.

FORFEITURE ALLEGATION

1. The allegations contained in this Complaint are hereby realleged and incorporated by reference for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).
2. The United States hereby gives notice to the defendant, that upon his conviction of the offense charged in this Complaint, the government will seek forfeiture in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which requires any person convicted of such offense to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offense, including but not limited to the real property located at 9333 Standerwick Lane, Huntersville, North Carolina, 28078.
3. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:
 - (a) cannot be located upon the exercise of due diligence;
 - (b) has been transferred or sold to, or deposited with, a third party;
 - (c) has been placed beyond the jurisdiction of the court;
 - (d) has been substantially diminished in value; or
 - (e) has been commingled with other property which cannot be divided without difficulty;it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of such defendant up to the value of the forfeitable property described above.